

# ECONOMIC PULSE

A MONTHLY REPORT ON MARYLAND'S ECONOMY

APRIL 2002

## HIGHLIGHTS

### **Hospitality and Tourism Rebound**

The first Maryland Business Survey shows that the hospitality and tourism industry is bouncing back, and will experience net job growth by mid-year (see *Focus* article).

### **Economic Recovery is Underway**

Most economic data — manufacturing activity, labor force growth, home and automobile sales, housing starts, etc. — indicate that economic recovery is underway in Maryland.

### **Maryland Continues to Outperform Other States**

Maryland continues to outperform other states in the region in most indicators of economic growth.

### **Job Growth Remains Primary Weakness**

Job growth, however, still remains at bay. In Maryland, job growth has been slightly negative or near zero for four months; nationally, job growth remains significantly negative.

## Snapshot Maryland

Latest job growth data show that: (1) The U.S. continues to experience job losses, in spite of indications that an economic recovery is under way. From February 2001 to February 2002, the U.S. had a net loss of 1.3 million jobs — or 1.0 percent of its job base. (2) By comparison, Maryland's job losses are less severe and of a shorter duration. The state lost 0.1 percent of its jobs during the past year, and has had only four months of relatively small or near-zero job growth. (3) Despite the small job loss, Maryland ranks among the top in the nation in economic performance. (4) The U.S. recession has affected Maryland less severely than other states.

In other words, while the U.S. recession may have ended recently, the result is not yet discernible in terms of job growth. It is a classic example of a short-term "jobless" recovery. This is not unique to this recovery. In general, job gains take place after a lag — after employers gain more confidence that a recovery has set in, domestic and export demand for products and services rise, and investment levels rise. Given the deep cuts in manufacturing jobs, it will be a while before employers start hiring new workers. In the mean time, while the recovery is in place, employers make do with fewer workers, which raises worker productivity levels in the short-run. Long-term productivity gains, however, can be sustained only by investments in equipment and technology.

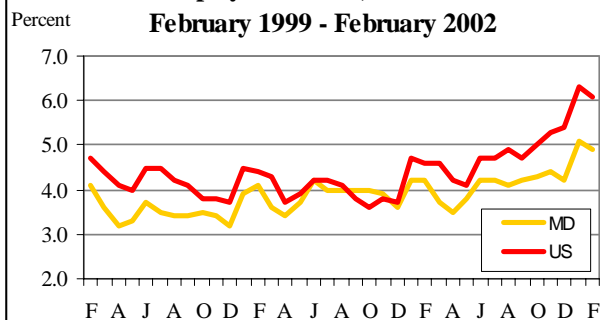
Maryland's labor force data showed a dramatic improvement. From February 2001 to February 2002, the labor force grew 2.9 percent and employment by place of residence increased by 2.2 percent — both healthy rates of growth. Maryland's unemployment rate

### **Labor Market Trends, February 2002** (Percent Change, February 2001 - February 2002)

	MD	U.S.
Growth of Civilian Labor Force	2.9	0.6
Employment by Place of Residence	2.2	-1.1
Job Growth (by place of work)	-0.1	-1.0
Temporary Cash Assistance — Caseload	0.5	—
Change in Initial UI Claims	28.2	5.4
Help-wanted Counts	-22.2	—
Unemployment Rate (current month, %)	4.9	6.1

(not seasonally adjusted) increased to 4.9 percent in February 2002 from 4.2 percent a year ago; the state's unemployment rate, however, remains significantly below the national average, which jumped to 6.1 percent from 4.6 percent a year ago. Nationally, the labor force grew modestly, while the number of employed persons fell, resulting in the big jump in the U.S. unemployment rate (not seasonally adjusted).

**Unemployment Rate, MD vs. U.S.**  
**February 1999 - February 2002**



Source: Maryland Dept. of Labor, Licensing & Regulation and U.S. Bureau of Labor Statistics

Parris N. Glendening  
Governor

Kathleen Kennedy Townsend  
Lt. Governor

David S. Iannucci  
Secretary

Sandra F. Long  
Deputy Secretary

## Jobs and Sectors

There are strong signs that the recovery has begun, nationally and in Maryland. Job growth numbers, however, continue to send mixed signals. In Maryland, job growth was slightly positive in January, but turned negative in February 2002. Job growth was also negative in November and December 2001. In many ways, Maryland has weathered the storm better than the nation and better than most of its neighbors.

### Percent Change in Jobs

February 2001 - February 2002

	MD	U.S.
Construction	-2.9	-0.9
Manufacturing	-3.6	-7.2
FIRE	0.2	0.3
TCU	-3.5	-3.1
Trade	-0.3	-0.6
Services	0.6	0.0
Business	-8.2	-5.5
Health	3.1	2.9
Government	1.6	1.9
Total	-0.1	-1.0

The state had negative or near zero growth only for four months — November 2001 through February 2002. Most other states suffered greater losses, and for a longer duration (including neighboring states Pennsylvania and Virginia). Only 12 states and the District of Columbia had positive job growth in February (17 states in January). The U.S.

job growth rate remains negative, with no indication that the nation will return to positive growth soon.

In Maryland, job losses were most pronounced in business services. This sector lost 16,700 jobs during the past year, or 8.2 percent of its job base. It should be noted that business services is a lagging sector — its growth follows job and business growth in manufacturing, construction, FIRE, TCU and other driving sectors. In other words, a turnaround in business services lags job and business growth in those other sectors. However, there are two positive developments that will aid the recovery of business services: (1) increased federal spending, and (2) a turnaround in other key sectors.

Federal defense and non-defense spending are on the rise, especially in the areas of homeland security, national defense, biological research and medicine. Maryland's business services, health services and federal contractors should get their fair share of the business. We are also seeing the onset of a recovery in the manufacturing sector, at least in terms of factory orders and production. Soon, the jobless manufacturing recovery will turn into job gains. We should expect business services to also grow in the coming months.

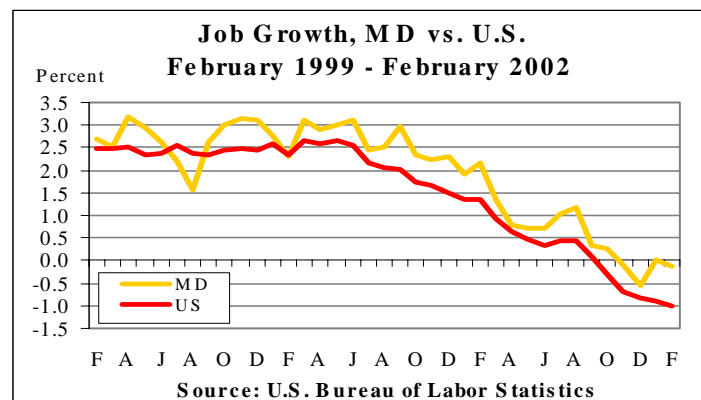
Employment in the manufacturing sector fell 3.6 percent in

Maryland and 7.2 percent in the U.S. During the past year, this sector lost 6,400 jobs in Maryland, which pales in comparison to the loss of 1.3 million jobs nationally. The biggest losses were in transportation equipment (-2,000 jobs), industrial machinery (-1,700 jobs) and printing and publishing (-1,000 jobs). One industry that stood its ground through the downturn is food products manufacturing. If it were not for business services and manufacturing, Maryland would have added nearly 20,000 jobs during the past year.

Job losses in retail trade subsided in February, as the loss of 4,000 jobs in general merchandise stores were offset by gains in eating and drinking establishments (up 3,100) and food stores (up 3,300). Health services added 6,200 jobs during the past year and remains one of the strongest sectors of the economy, both in Maryland and in the U.S. Educational services added 7,200 net new jobs, with 4,700 of those jobs coming from private colleges and universities. Government employment was up 7,400 between February 2001 and February 2002. The net gain in government jobs was due mainly to the fact that federal government establishments in Maryland added 2,000 jobs, state educational institutions added 1,500 jobs and local governments added 3,200 jobs.

The tourism sector is beginning to emerge from the national recession and the after-effects of the September 11 terrorist attacks. The Maryland Business Survey shows that this sector suffered significant losses in the aftermath of the September 11 terrorist attacks. The survey also shows that most hospitality businesses, especially hotels and motels, expect to add jobs in the next six months.

Housing and automobile sales remain strong, and are leading drivers of the nascent recovery. Existing home sales rose 7.8 percent in Maryland and 11.8 percent in the U.S. during the past year. New auto registrations rose 4.3 percent in Maryland and 3.4 percent in the U.S.



# Maryland Leading and Coincident Indices

The *Maryland index of leading indicators* eased slightly in February, down to 106.5 from 106.8 in the previous month. However, the leading index was up 4.7 percent from a year ago. Only three of the seven Maryland components provided a positive impact in February: BWI passengers, initial claims for unemployment insurance, and the stock index. None of the national components generated a positive impact in February. The national leading index was flat in February, but was up 3.2 percent from a year ago. While the U.S. economy has shown signs of improvement, the flat performance in the indicator raises some questions about the strength of a recovery.

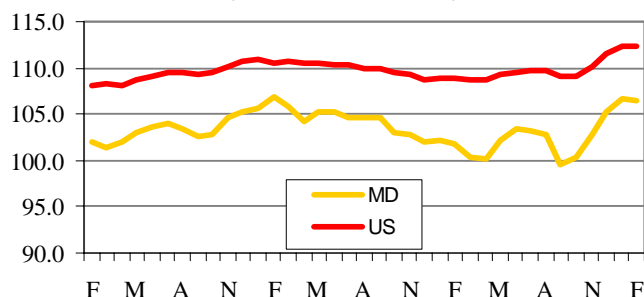
U.S. coincident index rose by 0.2 percent from the previous month, but was down by 1.1 percent from the same period a year ago. However, the U.S. index has increased in two of the last three months, providing some indication that the economy is gaining momentum.

## Maryland Leading Composite Index

Year	Month	Index	Percent Change
1999	Feb	102.0	1.73%
1999	Mar	101.4	-0.53%
1999	Apr	101.9	0.47%
1999	May	103.0	1.02%
1999	Jun	103.5	0.56%
1999	Jul	104.0	0.46%
1999	Aug	103.5	-0.51%
1999	Sep	102.5	-0.92%
1999	Oct	102.8	0.25%
1999	Nov	104.7	1.83%
1999	Dec	105.2	0.53%
2000	Jan	105.7	0.46%
2000	Feb	106.8	1.02%
2000	Mar	105.8	-0.91%
2000	Apr	104.2	-1.51%
2000	May	105.2	0.91%
2000	Jun	105.2	0.04%
2000	Jul	104.6	-0.61%
2000	Aug	104.6	0.04%
2000	Sep	104.6	-0.01%
2000	Oct	103.0	-1.55%
2000	Nov	102.8	-0.20%
2000	Dec	101.9	-0.84%
2001	Jan	102.2	0.29%
2001	Feb	101.7	-0.48%
2001	Mar	100.4	-1.30%
2001	Apr	100.2	-0.23%
2001	May	102.2	2.01%
2001	Jun	103.3	1.14%
2001	Jul	103.2	-0.15%
2001	Aug	102.8	-0.34%
2001	Sep	99.6	-3.15%
2001	Oct	100.5	0.87%
2001	Nov	102.9	2.42%
2001	Dec	105.2	2.20%
2002	Jan	106.8	1.52%
2002	Feb	106.5	-0.21%

Source: Maryland Department of Business and Economic Development

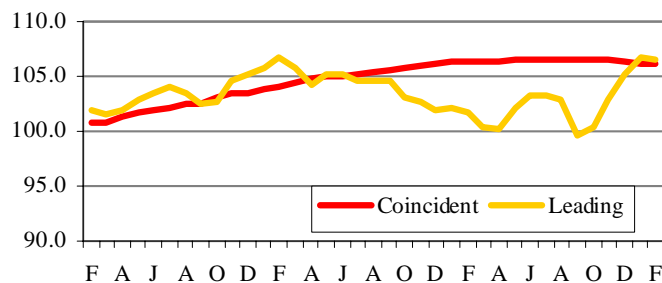
**Leading Index, MD vs. U.S.  
February 1999 - February 2002**



Source: Maryland Dept. of Business & Economic Development & The Conference Board

The revised *coincident index* stood at 106.2 in February, up 0.1 percent from the previous month. However, the indicator was down 0.2 percent from a year ago. The monthly increase in the coincident index follows three consecutive monthly declines. More data are needed to determine any definite trend in the state of the economy. In February, the

**Coincident Indicator and Leading Indicator for Maryland  
February 1999 - February 2002**



Source: Maryland Dept. of Business and Economic Development

## Revised Job Growth Numbers

Revised data from the Bureau of Labor Statistics show that: (1) Maryland suffered significant job losses during the 1990-92 recession (1990-91 for the U.S.). (2) In 1991, the state suffered a loss of 71,400 jobs — or 3.3 percent of its job base. By comparison, the U.S. job loss was only 1.1 percent. (3) Coming out of the last recession, Maryland lagged the nation until 1996. (4) The state caught up with the national growth rate in 1997 and 1998. (5) Maryland began to outpace the nation beginning in 1999. (6) In 2001, when the national economy went into a recession, the state fared well

with a job growth of 0.8 percent, compared with a national average of only 0.3 percent. (7) The state's job growth ranking improved from 46<sup>th</sup> in 1992 to 15<sup>th</sup> in 2001.

During this period, the state improved its ranking in poverty rate to one of the best in the nation, while enjoying one of the highest levels of per capita and median household income. These data show that the state has made a significant turnaround in terms of economic performance.

## Seasonal Adjustments

To be consistent with data released by other state agencies, the *Economic Pulse* generally reports not seasonally adjusted (NSA) labor market data. Federal employment reports, released during the first Friday of each month, use seasonally adjusted (SA) data. This poses two challenges. First, the media often reports both sets of numbers — NSA and SA. Second, state level data are generally one month behind U.S. data.

In general, similar conclusions can be derived from both NSA and SA data if we make the comparisons carefully. Seasonal adjustment means that data are statistically adjusted to remove seasonal variations. SA data, therefore, show changes in the economy over time (month to month) for reasons other than seasonal variations. A similar comparison can be made with NSA data for the current month with those of a year ago — for the same month. Then, a change in NSA data over the year will generally show changes in the economy for reasons other than seasonal factors.

The following table provides a comparison of NSA and SA unemployment rates for Maryland and the U.S. Both data sets show that Maryland's unemployment rate remains significantly below the national average, and that the state has widened the gap.

Unemployment Rates (Percent)				
	Not Seasonally Adjusted		Seasonally Adjusted	
	MD	U.S.	MD	U.S.
Feb 2002	4.9	6.1	4.5	5.5
Jan 2002	5.1	6.3	4.7	5.6
Feb 2001	4.2	4.6	3.8	4.2

Source: Maryland Department of Labor, Licensing and Regulation and U.S. Bureau of Labor Statistics

## Other Economic Indicators

- Maryland's unemployment rate remains significantly below the U.S. average. Labor force and employment growth rates have picked up, as is usual for the beginning of the year.
- The state's job growth rate was marginally negative in February, registering -0.1 percent. By comparison, the U.S. job growth rate was -1.0 percent.
- Maryland ranked 19<sup>th</sup> in job growth for February.
- Initial unemployment insurance (UI) claims jumped sharply in Maryland, up 28 percent from February 2001 to February 2002. Nationally, UI claims increased by 5.4 percent.
- The Temporary Cash Assistance caseload remained virtually unchanged in February 2002 compared with its level of a year ago.
- Existing home sales were up 7.8 percent in Maryland and 11.8 percent in the U.S. over the period February 2001 to February 2002.
- New residential building permits, compared with year-ago levels, fell 8.0 percent in February, after a huge 23 percent jump in January. A mild winter has kept home construction activity high.
- The Maryland stock index rose from January to February, but remains slightly below the level of a year ago.

(continued on page 5)



# FOCUS: The Maryland Business Survey

The first installment of the *Maryland Business Survey* (MBS), a joint effort by the Maryland Department of Business and Economic Development and the Maryland Department of Labor, Licensing and Regulation, was introduced in January 2002 in order to obtain information about the performance of businesses in Maryland and their outlook over the next 6 months. The survey asks a mix of quantitative questions on employment and qualitative questions regarding the reasons for expanding or contracting employment. Participants were also asked to submit comments about any conditions or specific factors relevant to their business or industry that may have affected their decisions.

The first survey, released by Governor Glendening, focused on the tourism and hospitality sector. It analyzed the reasons for expansion or contraction of employment, and provides some direction for future job growth in the sector. A portion of the survey results could potentially be used as a leading index of employment plans. Following are the highlights of the survey and its results. For a complete copy of the survey, visit:

<http://www.choosemaryland.org/pressroom/publications/index.asp>

- The businesses covered in the first MBS include the tourism and hospitality sector — scenic and sightseeing operations, tour operators, travel agencies, convention and visitor bureaus, hotels and motels, bed-and-breakfast inns and other traveler accommodations.
- The survey focused on the Baltimore-Washington corridor — Baltimore City, Anne Arundel County, Baltimore

County, Howard County, Montgomery County and Prince George's County.

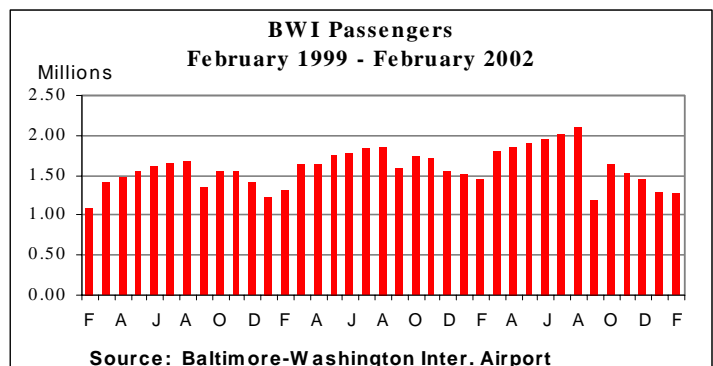
- This survey was sent to a universe of approximately 500 businesses. The response rate was 27.8 percent.
- The survey shows that Maryland's tourism and hospitality sector was contracting during the six-month period prior to January 2002.
- Since the survey captures a time period that includes the events of September 11, it measures the after-effects of the September 11 terrorist attacks on America. The net contraction exhibited by these tourism-related industries during the period immediately following September 11 is not surprising.
- In the aftermath of September 11, 100 new positions were created but 153 positions were cut, resulting in a net loss of 53 positions.
- The survey shows that the effects of September 11 are decreasing. Surveyed firms report that they plan to fill 97 new positions in the next six months, while cutting only 10 positions, yielding a net gain of 87 new positions.
- When combined with the responses for the previous six months, the resulting 12-month period shows a net change of 34 new positions.

The survey shows that Maryland's tourism and hospitality sector has rebounded well from the effects of September 11 and suggests it is poised for a strong gain in 2002.

## Economic Indicators (continued from page 4)

- Automobile sales rose 4.3 percent in Maryland and 3.4 percent in the U.S. between the February 2001 and February 2002 period.
- Weekly manufacturing hours rose to 40.5 in February 2002 from 39.8 a year ago. Earnings also rose during the past year, both in Maryland and in the U.S.
- The *Baltimore Sun's* help-wanted counts were down 22 percent from the level of a year ago.
- The Baltimore-Washington International Airport reported a 32 percent jump in cargo volume. However, passenger volume fell over 12 percent.
- The tourism sector shows signs of a rebound. Hotel/motel occupancy rates jumped sharply in February, and were

down only slightly from last year's level. State welcome center visitors and amusement tax revenues were up from last year.



## Selected Monthly Economic Indicators

	Maryland					U.S.				
	Feb	Jan	Percent Change From Last Month	Feb	Percent Change From Last Year	Feb	Jan	Percent Change From Last Month	Feb	Percent Change From Last Year
Selected Indicators	2002	2002		2001		2002	2002		2001	
<b>Labor Market</b>										
Labor Force (U.S. in Thousands)	2,880,212	2,867,025	0.5	2,798,068	2.9	142,057	141,074	0.7	141,238	0.6
Employment (U.S. in Thousands)	2,739,222	2,721,670	0.6	2,680,889	2.2	133,349	132,139	0.9	134,774	-1.1
Unemployment Rate	4.9	5.1	-3.9	4.2	16.7	6.1	6.3	-3.2	4.6	32.6
Sun Help-Wanted Counts, Baltimore MSA	16,176	19,278	-16.1	20,786	-22.2					
Initial Claims for Unemployment Insurance	20,309	32,063	-36.7	15,846	28.2	1,578,572	2,660,722	-40.7	1,497,271	5.4
TCA Caseload	29,733	29,627	0.4	29,590	0.5					
TCA Cases Closed	2,648	2,937	-9.8	2,538	4.3					
<b>Jobs and Sectors</b>										
Total Non-Agricultural Employment (Thousands)	2,425.5	2,415.0	0.4	2,429.0	-0.1	129,787	129,233	0.4	131,102	-1.0
Construction (Thousands)	149.0	149.6	-0.4	153.4	-2.9	6,334	6,356	-0.3	6,393	-0.9
Manufacturing (Thousands)	173.5	174.0	-0.3	179.9	-3.6	16,788	16,840	-0.3	18,099	-7.2
FIRE (Thousands)	140.8	140.9	-0.1	140.5	0.2	7,572	7,584	-0.2	7,552	0.3
TCU (Thousands)	114.2	113.9	0.3	118.3	-3.5	6,828	6,838	-0.1	7,045	-3.1
Trade (Thousands)	538.0	541.6	-0.7	539.4	-0.3	29,790	29,931	-0.5	29,956	-0.6
Services (Thousands)	842.8	838.3	0.5	837.7	0.6	40,516	40,149	0.9	40,499	0.0
Business (Thousands)	187.8	190.6	-1.5	204.5	-8.2	9,114	9,116	0.0	9,643	-5.5
Health (Thousands)	205.5	205.5	0.0	199.3	3.1	10,506	10,481	0.2	10,214	2.9
Government (Thousands)	465.7	455.1	2.3	458.3	1.6	21,415	20,984	2.1	21,016	1.9
Average Weekly Earnings (\$)	628.56	630.11	-0.2	604.56	4.0	610.95	612.46	-0.2	591.71	3.3
Average Weekly Hours	40.5	40.6	-0.2	39.8	1.8	40.3	40.4	-0.2	40.5	-0.5
<b>Business and Consumer Markets</b>										
BWI Cargo (Metric Tons)	17,960	19,555	-8.2	13,650	31.6					
BWI Passengers (Millions)	1.27	1.29	-1.8	1.45	-12.3					
Electric Meters Installed, Commercial <sup>1</sup>	137	185	-25.9	241	-43.2					
Electric Meters Installed, Residential <sup>1</sup>	764	1,241	-38.4	1,149	-33.5					
Electricity Sales, Commercial (Millions of kWh) <sup>1</sup>	1.44	1.46	-1.5	1.62	-10.9					
Electricity Sales, Residential (Millions of kWh) <sup>1</sup>	0.99	0.79	25.1	1.30	-23.4					
Existing Home Sales (US in Thousands)	4,981	5,018	-0.7	4,621	7.8	340	337	0.9	304	11.8
New Auto Registration	27,520	31,106	-11.5	26,381	4.3	1,258,460	1,360,541	-7.5	1,216,538	3.4
New Residential Permits Authorized	1,988	2,271	-12.5	2,161	-8.0	120,964	115,139	5.1	111,773	8.2
<b>Indexes</b>										
Leading Index	106.5	106.8	-0.2	101.7	4.7	112.4	112.4	0.0	108.9	3.2
Help-Wanted Index	72.2	86.0	-16.1	92.8	-22.2	51	47	8.5	72	-29.2
CPI	N/A	110.9	N/A	N/A	N/A	177.8	177.1	0.4	175.8	1.1
Stock Index	214.7	209.7	2.4	219.8	-2.3	1,106.7	1,130.2	-2.1	1,239.9	-10.7
<b>Tourism</b>										
Hotel/ Motel Occupancy Rate (%)	54.3	45.6	19.1	56.2	-3.4					
State Welcome Center Visitors	105,771	104,986	0.7	104,300	1.4					
Amusement & Admission Tax (Millions of Dollars)	2.89	3.39	-14.7	2.47	16.9					
Hotel /Motel Sales Tax (Millions of Dollars)	2.47	3.00	-17.5	2.57	-4.0					

Notes:

(1) BGE data are for December 2001.



Parris N. Glendening, Governor  
Kathleen Kennedy Townsend, Lt. Governor

David S. Iannucci, Secretary, Department of Business and Economic Development  
Sandra F. Long, Deputy Secretary, Department of Business and Economic Development  
Rhonda Ray, Assistant Secretary, Office of Economic Policy and Legislation

*Economic Pulse* is published monthly by Pradeep Ganguly,  
Office of Economic Policy and Legislation  
Editor, Phyllis S. Cloud  
Editorial Assistance, James R. Moody  
Project Development, Fereidoon Shahrokh  
Contributing Editors, Pradeep Ganguly, Roger Fujihara  
Design and Modeling, Massoud Ahmadi  
Graphic Design, James R. Moody, Roger Fujihara  
Distribution, Elver Bell, Zina Stennett

Please address any questions or comments to Pradeep Ganguly, 410-767-6398

The *Economic Pulse* is available on the Internet at:  
[www.choosemaryland.org/pressroom/publications/](http://www.choosemaryland.org/pressroom/publications/)